



# Department of Justice

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## **JUSTICE DEPARTMENT FILES SUIT TO BLOCK GENERAL DYNAMICS' PURCHASE OF NEWPORT NEWS SHIPBUILDING**

### **Deal Would Create Monopoly for Nuclear Submarines**

WASHINGTON, D.C. -- The Department of Justice today filed an antitrust lawsuit to block the proposed acquisition of Newport News Shipbuilding Inc. by General Dynamics Corporation. The Department said that if the merger were allowed to proceed, it would eliminate competition for nuclear submarines – a weapon platform of vital importance to the security of the United States – resulting in a monopoly. Additionally, the Department said the proposed acquisition would harm competition for other military ships – conventionally powered surface combatants – and for the development of electric drive, an emerging technology for powering nuclear submarines and surface combatants.

The Department of Defense coordinated with the Department of Justice in the investigation that resulted in the lawsuit, and advised the Department that it had significant competitive concerns with the transaction.

“This merger would give General Dynamics a permanent monopoly in nuclear submarines and would substantially lessen competition in surface combatants,” said Charles A. James, Assistant Attorney General in charge of the Department’s Antitrust Division. “Our armed forces need the most innovative and highest quality products to protect our country. This merger-

to-monopoly would reduce innovation and, ultimately, the quality of the products supplied to the military, while raising prices to the U.S. military and to U.S. taxpayers.”

The Department filed its lawsuit in U.S. District Court in Washington, D.C.

General Dynamics, in a cash tender offer, planned to purchase a controlling share of Newport News for approximately \$2.6 billion. The two companies are the only manufacturers of nuclear submarines and two of only three companies that build large ships of any kind for the U.S. Navy. The companies are also leaders on the only two teams working to develop electric drive technology for nuclear submarines and surface combatants.

“We greatly appreciate the assistance of the Department of Defense in investigating this matter,” added James. “Justice and Defense are united in the view that the proposed merger should not go forward, and that competition plays an important role in ensuring that the United States can purchase the best platforms and systems to protect our country.”

General Dynamics, headquartered in Fairfax, Virginia and incorporated in Delaware, reported net sales of \$10.4 billion in 2000. General Dynamics is one of the nation’s largest military suppliers, developing and producing numerous military platforms and systems, including nuclear submarines, surface combatants, the M-1 Abrams tank, armored troop carriers, and various surveillance, communications, and intelligence systems.

Newport News, a Delaware corporation headquartered in Newport News, Virginia, reported 2001 revenues of approximately \$2.1 billion. Newport News is the sole supplier of nuclear aircraft carriers to the U.S. Navy as well as one of two suppliers of nuclear submarines.

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